

Henry Hub price 11 pct higher than wellhead – EIA

WASHINGTON, July 5 (Reuters) -

A four-year comparison of U.S. natural gas prices showed Henry Hub spot market prices averaged nearly 11 percent higher than wellhead prices, according to a U.S. Energy Information Administration report.

In its review of natural gas prices from August 1996 through December 2000, the EIA found that Henry Hub spot prices averaged 32 cents per thousand cubic feet (mcf) higher than wellhead prices.

The Henry Hub in Louisiana, which connects nine interstate and four intrastate natural gas pipelines, is the delivery point for futures contracts traded on the New York Mercantile Exchange.

The EIA said its comparison did not include 2001 and the first few months of 2002 because the average monthly wellhead price currently reported by the agency is an estimate. The EIA does not finalize its wellhead price information until it receives data from state energy agencies and the U.S. Minerals Management Service.

"The results of the analysis indicate that there is a strong linear relationship between the two price series," the agency said.

"The analysis also indicates that, on average, Henry Hub spot prices were 32 cents per mcf (10.8 percent) higher than wellhead prices. The median value of the actual difference is 24 cents per mcf, and the median value of the percent difference is 10.4 percent," the EIA said.

About 49 percent of U.S. wellhead production either occurs near the Henry Hub or passes close to the Henry Hub as it moves to market.

A complete copy of the EIA report, which was released on Wednesday, was posted at the agency's Internet site at <http://www.eia.doe.gov/oiaf/analysispaper/henryhub/index.html>

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